

FRONT COVER —

Aerial view of Woodsreef Asbestos
deposit. Ore Zones are indicated.

Pacific Asbestos Limited

Annual Report for year ended 31 May 1969.

Head Office: 5112 Third Street South-East, Calgary, Alberta

Transfer Agents and Registrar: Guaranty Trust Co. of Canada

Stock Listed: Vancouver Stock Exchange

Solicitors: Thomson, Rogers

Auditors: Riddell, Stead & Co.

Bankers: Canada — Toronto Dominion Bank

Annual Meeting: Thursday, November 27, 1969

HIGHLIGHTS

A rights offering underwritten by Burns Bros. and Denton Limited netted almost \$1 million, which was estimated to be sufficient to meet all expenditures including the bulk sampling program and final feasibility study prior to commencing production.

The exploration program on our Woodsreef asbestos property in New South Wales, Australia, was completed. In four years, we drilled 100 holes representing approximately 50,000 feet of diamond drilling.

Of a potential reserve of 90 million tons, over 27 million tons of asbestos ore were drill proven according to Watts Griffis and McQuat Limited. This contains, after appropriate dilution allowances, 4.5% fibre content in grades 4 through 7.

2,000 feet of 12 inch drill core representing the bulk sampling program from 12 holes was moved to the asbestos pilot plant at Quebec City and tested.

Core sampling indicated asbestos grades 4 through 7 with a high proportion of fibres most in demand by the Japanese market.

Several trips to Japan by company officials and their consultants indicated the strong possibility of contracts with the Japanese and confirmed the suitability of fibre grades to the Japanese market and the willingness of Japanese interests to contract with independent sources.

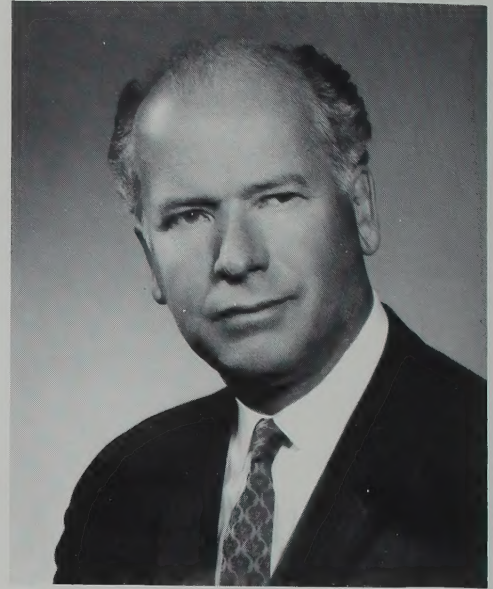
A shortage of asbestos of between 150,000 to 300,000 tons annually was predicted by 1971 by experts in the industry and corroborated by the company's own consultants.

The Government of New South Wales has supported the company's exploration program and granted subsidies totalling \$303,344. (See Financial statement note 3.)

Plant construction costs were estimated at some \$17 million to produce a minimum of 65,000 tons of asbestos fibre in a 5,000 ton a day mill — operating only six days a week.

World specialists in asbestos mill design — Surveyer Nenniger and Chenevert were appointed as design engineers.

Shares outstanding amounted to 4,683,727 at May 31, 1969.



PRESIDENT'S REPORT

On behalf of the Board of Directors, I am pleased to submit the Annual Report and audited consolidated financial statements for the year ended, May 31, 1969.

The events of the year have resulted in an agreement in principle to sell 210,000 short tons of chrysotile asbestos fibre in grades 4, 5, 6 and 7 from our Woodsreef properties over a 5½ year period to Marubeni-lida Co. Ltd. of Tokyo. The agreement is the direct result of several visits to Japan by company representatives and consultants to establish product requirements and specifications for the Japanese market.

Your Board of Directors has ratified a letter of intent to this effect that has been submitted to us by the Japanese concern.

We shall shortly be studying the eagerly awaited final feasibility report from Watts, Griffis and McOuat and supporting

experts in both Canada and Australia. It is apparent that the results from bulk sampling have clearly established that the ore body is of greater significance in terms of values than had been originally contemplated.

It is also indicated in this annual report that the economic viability of the project has been established. The potential is very large and we may expect to get the property into production by the latter part of 1971. This is particularly gratifying to your Board of Directors.

In four years we have completed an exploration program in which a minimum of 27 million tons of open pit ore are drill proven, having an estimated gross value of \$200 million.

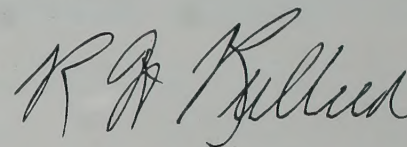
Some \$1½ million has been spent on the exploration and development of the company properties.

You will recall that in our rights offering a year ago, we sought \$1 million to complete all work prior to construction. We have done this within the prescribed time and budget.

We now estimate our senior financing will call for a sum of \$17 million for a 5,000 ton a day mill capable of producing 65,000 tons of asbestos fibre annually.

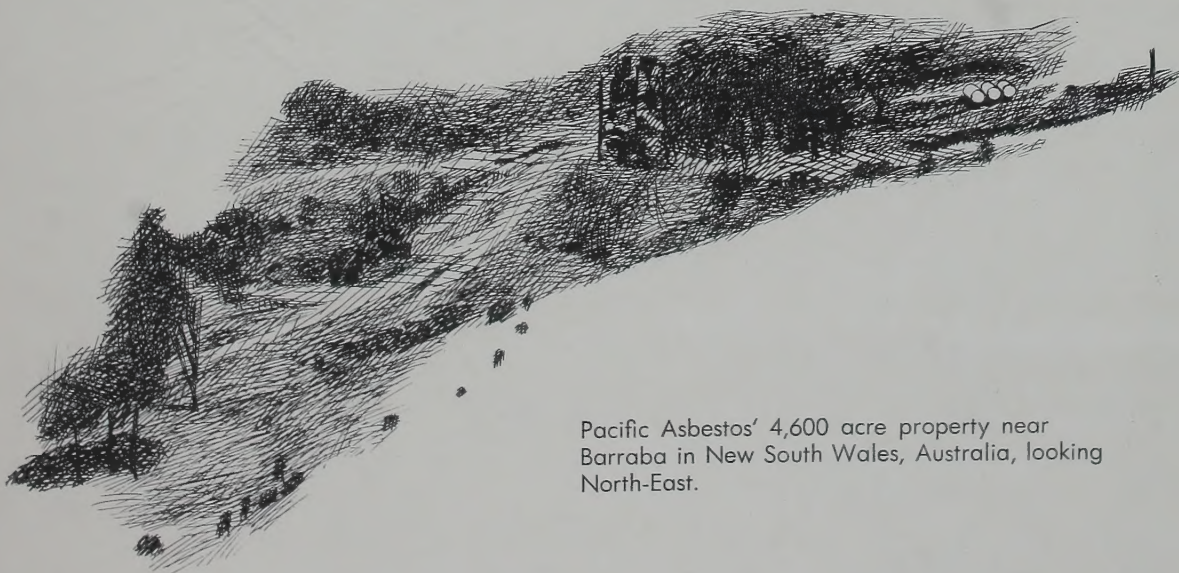
We are sure that with the assistance of our financial agents, Messrs. Burns Bros. and Denton we can successfully secure the funds necessary to place the mine in profitable production.

Yours very truly



RUSSEL H. BULLIED
President

October 15th, 1969

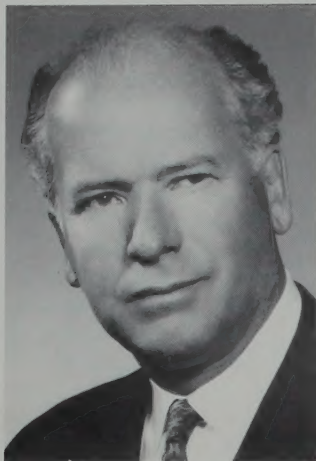


Pacific Asbestos' 4,600 acre property near Barraba in New South Wales, Australia, looking North-East.

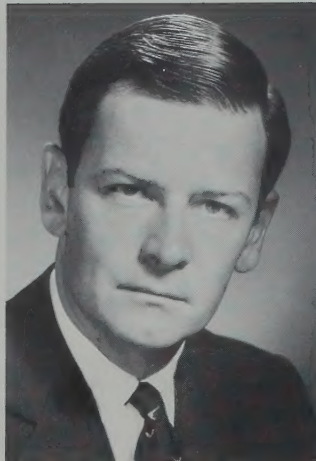
DIRECTORS



J. H. BLACK
(Toronto)
Executive; General Manager, Ribot
Investments Limited; President, Clair
Park Investments Limited;
Vice-President, Kamboro
Construction Limited



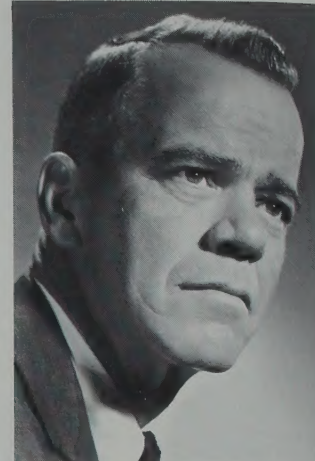
R. H. BULLIED
President and Director (Calgary)



L. C. BURNS
(Toronto)
Executive; President, Burns Bros. and
Denton Limited, Investment Dealers



DR. E. B. GILLANDERS
(Vancouver)
Mining Consultant; Vice-President,
New Imperial Mines Limited.



H. T. R. GREGG, Q.C.
Vice-President and Director
(Calgary)
Barrister & Solicitor; Director
Farmers and Merchants Trust Co.
Ltd.



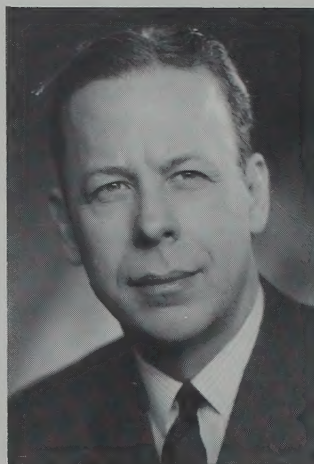
S. HANEN
Vice-Chairman of the Board of
Directors (Calgary)
(Farmer; Executive; Chairman of the
Board, Farmers and Merchants
Trust Co. Ltd.; Director Dominion
Hotel, Kingsway Motor Hotel,
Beacon Hotel and Wales Hotel.)



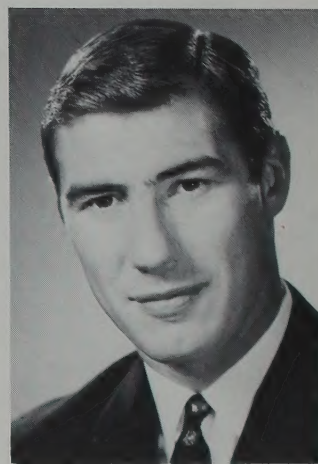
S. P. KING
(Calgary)
Executive; President, S. P. King
Consultants Limited; Executive
Vice-President, Cascade Drilling
Co. Limited



E. G. LAMBERT
(Montreal)
Executive; Vice-President Finance,
British Newfoundland Corporation
Limited; Vice-President Finance,
Churchill Falls (Labrador)
Corporation Limited



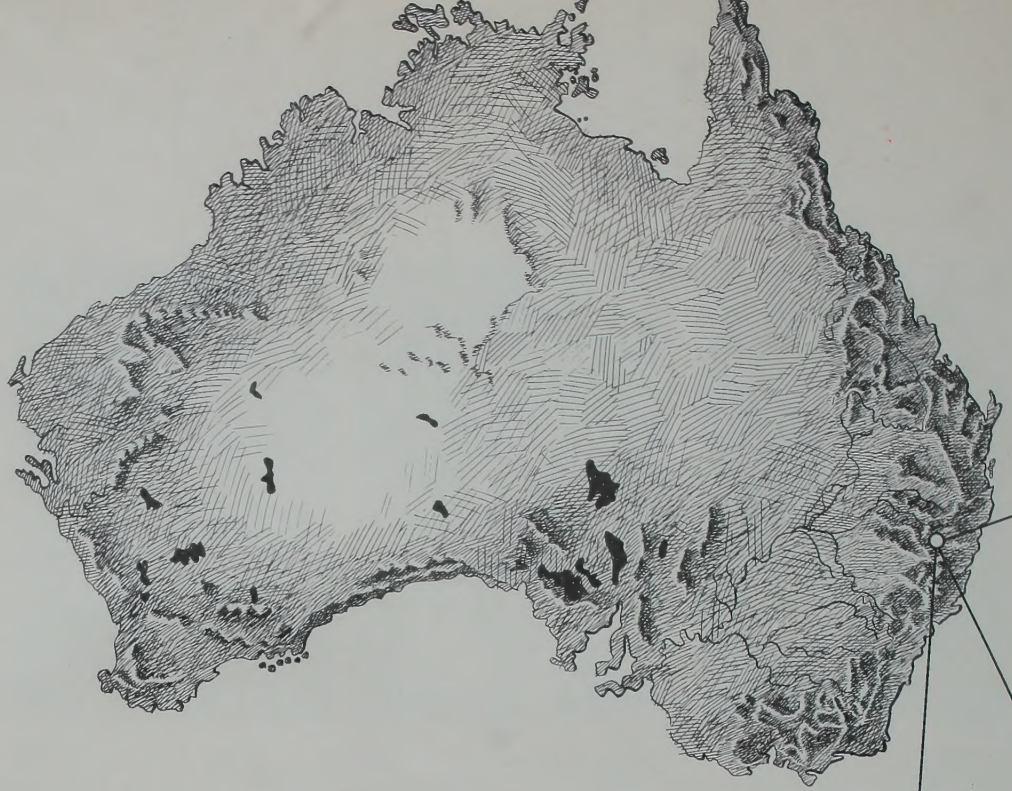
R. W. MACAULAY, Q.C.
Chairman of the Board of Directors
(Toronto)
(Barrister & Solicitor)



R. J. PULFORD
Professional Athlete (Toronto)

Not Pictured Here:—

A. D. MacKENZIE
(Toronto)
Senior Mining Analyst, Burns Bros.
and Denton Limited



The Woodsreef asbestos property is located 11¼ miles from Barraba, a well developed town with a thriving community (population 1,400). A railhead is established in the town which is also well served with stores, hospital, churches and normal community facilities. There is a regular air service operating from Sydney to Tamworth (population 30,000), an hours drive from Barraba on good roads.



FINAL FEASIBILITY REPORT

The final feasibility report to put the property in production also forms the basis for future development of the Woodsreef project.

The study was prepared by Watts, Griffis and McQuat Limited in conjunction with Surveyer, Nenniger and Chenevert, Inc., and other experts and specialists in Canada and Australia.

The report states, "without doubt, the company's position is a strong one, both in terms of competition because of location in relation to markets and also because of a rapidly developing shortage of fibre grades similar to ours, creating a sellers market."

Our consultants conclude that, "development of the company's asbestos deposit is warranted and would provide an attractive return on the total capital requirement of some 17 million Canadian dollars.

As the deposit is very large, located in a favourable marketing area and since asbestos is a mineral becoming short in supply, expansion of the basic plant has been allowed for in the design, although additional income from this has not been reflected in the cash flow projections.

The report is based on 100 drill holes and the testing of over 450 individual samples in Quebec City. These have been confirmed by a bulk sampling program which consisted of over 2,000 feet of 12-inch diameter drill core, similarly tested in Quebec City."

SOPHISTICATED COMPUTER PROGRAM

Using this data, the company's consultants prepared tonnage and grade estimates through the extensive use of a sophisticated computer program. The program has indicated that at an appropriate cut-off there are over 27,000,000 tons of easily accessible open pit ore with a low waste-to-ore ratio.

The ore and fibre evaluation carried out by Watts, Griffis and McQuat Limited has been doubly checked by relating the appraisal to actual tests on fibre now being sold in the Japanese and Australian markets.

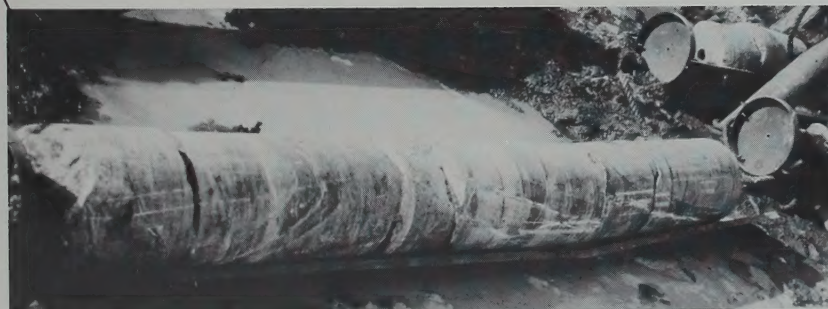
Further confirmation has been provided by testing of samples of fibre from the small drill cores by various Japanese consumers.

Fibre from the 12-inch core is now being blended for further testing by potential Japanese consumers.



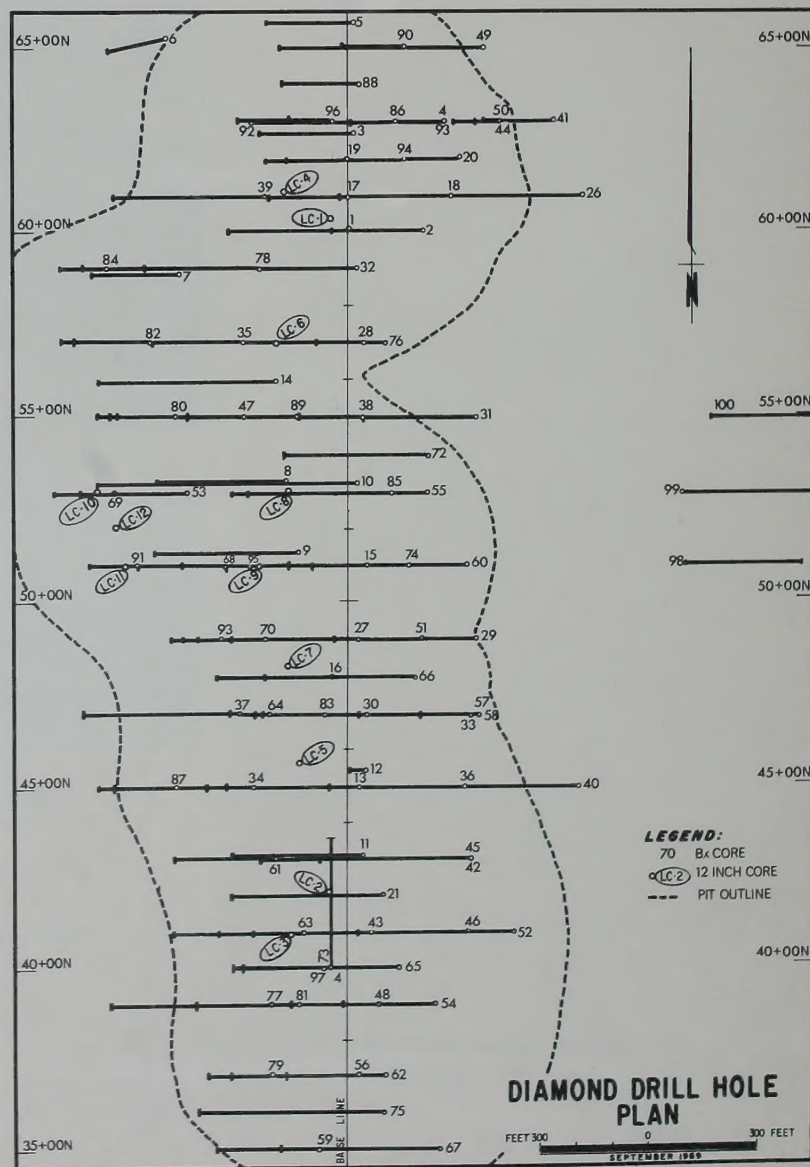
Australian interest in the property was evidenced by the New South Wales Minister of Mines, The Hon. W. Fife, (second from left), who visited the property with other Government officials. On the right is Pacific Asbestos President, Russel H. Bullied.

2,000 feet of 12 inch diameter drill core was shipped to Quebec City for testing.



The report contains a detailed appraisal of marketing opportunities. This is based upon statistical production and consumption data; public and private forecasts; numerous discussions with consumers (particularly Japanese); private sources in Canadian production; and Watts, Griffis and McQuat's own extensive knowledge of asbestos supply-demand relationships.

Surveyer, Nenniger and Chenevert's experience in the design and construction of many Canadian asbestos plants and Watts, Griffis and McQuat's expertise in mining forms the basis for the capital and operating costs adjusted to Australian conditions through detailed discussions with Australian engineering firms, government bodies and local contractors, as well as several on-site inspections by senior staff members of both firms.



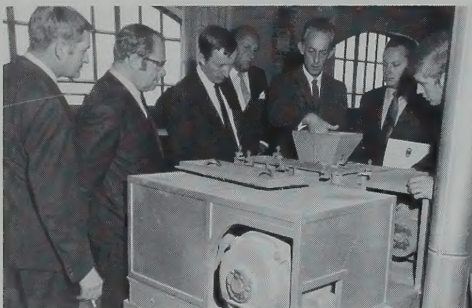
QUEBEC GOVERNMENT ASBESTOS PLANT

The program to bring the Woodsreef asbestos property into production has been greatly assisted by Officials at the pilot plant of the Department of Natural Resources of the Quebec Government in the St. Malo industrial centre.

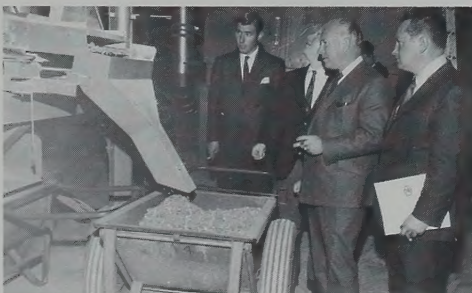
This pilot plant is the only independent and qualified facility in the world capable of the treatment of asbestos ores.



Directors of Pacific examine 12 inch drill cores prior to shipment to Quebec. Left to right are Russel H. Bullied; R. W. Macaulay; L. C. Burns and A. D. MacKenzie. On the extreme right is J. McOuat of Watts, Griffis & McOuat company consultants.



Tests carried out on the cores are explained to company officials and Press visitors by the Director of the pilot plant, Mr. Jean Paul Bolduc.



Directors watch the crusher in action at Quebec.



AUDITORS' REPORT To the Shareholders
Pacific Asbestos Limited

We have examined the consolidated balance sheet of Pacific Asbestos Limited as at May 31, 1969 and the consolidated statements of administrative expenses and deficit, deferred exploration and development expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of other auditors who have examined the financial statements of subsidiaries.

In our opinion these financial statements present fairly the financial position of the companies as at May 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
August 24, 1969.

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT MAY 31, 1969

ASSETS

Current Assets

Cash	\$ 348,941
Accounts receivable	5,919
Prepayments and deposits	10,471
	<u>365,331</u>

Mining Properties and Related Expenditures (Notes 1 and 4), see schedule	<u>1,660,615</u>
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Other Assets

Furniture and fixtures, less accumulated depreciation	12,451
Automotive equipment, less accumulated depreciation	12,089
Exchange adjustment account	5,945
Incorporation expense	6,146
	<u>36,631</u>

Signed on behalf of the Board:

R. MACAULAY, Director.

R. H. BULLIED, Director.

\$2,062,577

The accompanying notes are an integral part of this financial statement.

LIABILITIES

Current Liabilities

Accounts, payable and accrued	\$ 95,906
Amount due on share acquisition (Note 2)	81,553
	<u>177,459</u>

Contingent Liability (Note 3)

SHAREHOLDERS' EQUITY

Capital Stock

Authorized	
7,500,000 shares of no par value	
Issued	
4,683,727 shares (Note 4)	4,430,444

Contributed Surplus	190,790
	<u>4,621,234</u>
Deficit	(2,736,116)
	<u>1,885,118</u>

\$2,062,577

PACIFIC ASBESTOS LIMITED

Consolidated Statement of Administrative Expenses and Deficit
For the Year Ended May 31, 1969

Administrative Expenses

Accounting and secretarial fees	\$ 9,912
Audit and legal	69,957
Depreciation	2,025
Office expenses	18,054
Public relations	15,178
Promotion and entertainment	3,976
Registrar, transfer agent and other fees	32,078
Reports to shareholders and public	9,707
Salaries — Management	21,514
— Other	15,117
Travel	41,754
Taxes and licenses	1,627
Other	9,475
Loss on sale of fixed assets	1,288
	<hr/> 251,662
Less interest — Net	8,603
	<hr/> 243,059

Restatement of Initial 50% Interest in White Asbestos (Mining) Pty. Limited,
now wholly-owned

	20,286
	<hr/> 263,345
Deficit at beginning of year	2,472,771
Deficit at End of Year	<hr/> <hr/> \$2,736,116

The accompanying notes are an integral part of this financial statement.

PACIFIC ASBESTOS LIMITED

Notes to Consolidated Financial Statements As at May 31, 1969

Note 1 Financial Statements

(a) Principles of Consolidation

The accounts of the Australian subsidiaries, Woodsreef Asbestos Company Limited, Mareeba Mining and Exploration Pty. Ltd. and White Asbestos (Mining) Pty. Limited and the Canadian subsidiary, Dover Tin Mines Limited together with its Australian subsidiary, Dover Tin Mines Pty. Limited, have been consolidated with those of Pacific Asbestos Limited. The accounts of the Australian subsidiaries have been converted to Canadian dollars at the rate of \$1.20 Canadian to the Australian dollar. The accounts of one other subsidiary have not been consolidated since that company is inactive and has no tangible assets.

The excess of cost of White Asbestos (Mining) Pty. Limited over book value of assets in the subsidiary has been attributed to mineral leases.

(b) Comparative Figures

During the year Pacific acquired the net assets of Castle Tin Mines Limited, the acquisition of such assets consisting mainly of subsidiaries, has resulted in a significant change to the company's financial position. For this reason, information relating to the company's May 31, 1968 financial statements has been omitted, since such information would not provide a proper basis for comparison.

Note 2 Amount Due on Share Acquisition

Included in the net assets acquired from Castle Tin Mines Limited were the remaining shares (50%) of White Asbestos (Mining) Pty. Limited not owned by the company and the related debt. This liability is secured by such shares and is payable by April 30, 1970.

Should the company not make the above payment, it could forfeit its interest from any claim for the unpaid balance, and would not be entitled to recover payments made to that date.

If White commences production prior to April 30, 1970, Pacific's interest could be reduced by the original holder of the shares exercising its option to acquire a 10% interest in White by subscription for capital stock.

Note 3 Contingent Liability

There is a contingent liability in respect of mining subsidies of \$303,344 received from the Department of Mines of Australia. Such subsidies are repayable if and when production is commenced.

PACIFIC ASBESTOS LIMITED

Consolidated Statement of Deferred Exploration and Development Expenditures
For the Year Ended May 31, 1969

Drilling	\$ 340,360
Geological, mapping and engineering	204,667
Wages	52,771
Travel	12,424
Lease expense	11,273
Equipment operating expense	12,370
Miscellaneous	6,590
Road site and clearing	2,267
Cartage and freight	1,398
	<hr/>
	644,120
Subsidies received	147,444
	<hr/>
	496,676
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Balance at beginning of year	1,104,485
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Balance at end of year	<u>\$1,601,161</u>
Summary	
Dover properties	\$ 250,315
Woodsreef properties	49,330
White properties	946,664
Mareeba properties	354,852
	<hr/>
	<u>\$1,601,161</u>

Consolidated Statement of Source and Application of Funds
For the Year Ended May 31, 1969

Source of Funds

Issue of shares (Note 4)	
For net assets of Castle Tin Mines Limited	\$ 532,598
For cash	1,032,483
	<hr/>
	1,565,081

Application of Funds

Loss for the year, less non-cash charges		239,746
Acquisition of the net assets of Castle Tin Mines Limited (Note 4) represented by:		
Mining properties and related expenditures	\$ 578,376	
Other assets	2,687	
	<hr/>	
	581,063	
Less current liabilities — net	48,465	532,598
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Mining properties and related expenditures		559,672
Other assets, net of disposals		31,502
Restatement of initial 50% interest in White Asbestos (Mining) Pty. Limited		20,286
		<hr/>
		1,383,804
		<hr/>
Increase in Working Capital		181,277
Working capital at beginning of year		6,594
		<hr/>
Working capital at end of year		<u>\$ 187,871</u>

The accompanying notes are an integral part of this financial statement.

PACIFIC ASBESTOS LIMITED

Consolidated Schedule of Mining Properties and Related Expenditures As at May 31, 1969

Dover Properties, Queensland, Australia

	Area	
Mining properties		
4 Mineral lease applications acquired for cash including legal costs of \$3,888	947.5 acres	\$ 63,888
1 Mineral lease application acquired by staking	312.5 "	96
	<u>1,260 acres</u>	<u>63,984</u>
Exploration and development expenditures		250,315
		<u>\$ 314,299</u>

Woodsreef Properties, New South Wales, Australia

	Area	
Mining properties		
7 Mineral leases (over private land) acquired for cash including legal costs of \$394	198 acres	\$ 2,793
3 Mineral lease applications (over private land)	52 "	
1 Special lease application (over Crown land)	849 "	
17 Authorities to enter	14,658 "	
23 Applications for authorities to enter	20,554 "	
2 Authorities to prospect	270 "	
The above applications and authorities are held over parts of the area originally covered by mineral exploration license No. 30 and are recorded at the cost of acquisition of the original applications which were subsequently withdrawn when M.E.L. No. 30 was granted		
	<u>36,581 acres</u>	<u>2,793</u>
Exploration and development expenditures		49,330
		<u>\$ 52,123</u>

White Properties, New South Wales, Australia

	Area	
Mining properties		
10 Mineral leases over Crown land	290 acres	
2 Special leases over Crown land	240.75 "	
2 Mineral leases over private land	124.75 "	
1 Special lease over private land	81 "	
10 Mineral lease applications over Crown land	1,517.25 "	
5 Mineral lease applications over private land	286 "	
3 Dredging lease applications	134.75 "	
5 Authorities to enter	1,664 "	
4 Applications for authorities to enter	16 "	
	<u>4,354.5 "</u>	<u>\$ 281,253</u>
Exploration and development expenditures		946,664
Mine buildings		6,276
		<u>\$1,234,193</u>

Mareeba Properties, Queensland, Australia (Note 5)

Mineral properties		
Mineral leases		\$ 66,352
Exploration and development expenditures		354,852
Dams, at cost, less depreciation of \$3,738		27,521
Plant and equipment, less depreciation of \$126,839		76,788
		<u>525,513</u>
Less: Depletion, amortization and write down of property		465,513
		<u>\$ 60,000</u>

Summary

Dover properties	\$ 314,299
Woodsreef properties	52,123
White properties	1,234,193
Mareeba properties	60,000
	<u>\$1,660,615</u>

The accompanying notes are an integral part of this financial statement.

PACIFIC ASBESTOS LIMITED

Notes to Consolidated Financial Statements As at May 31, 1969

Note 4 Capital Stock

(a) Shares Issued

During the year the following shares were issued:

	Number of Shares	Consideration
For cash		
Shares issued under an offer to existing shareholders to subscribe for one share for each six held by them, at \$1.50 per share less underwriting commissions	666,965	\$ 999,483
Upon exercise of options by officers and directors of the company	15,000	33,000
Other		
Shares issued upon acquisition of the net assets of Castle Tin Mines Limited, valued at the net book value of such assets	2,000,881	532,598
	<u>2,682,846</u>	<u>\$1,565,081</u>

(b) Shares Reserved for Issue Under Options

The company has reserved 135,000 shares for issue under the following options:

— to officers and directors of the company, exercisable in equal amounts over the four years ending August 13, 1973 at a price of \$2.20 a share	60,000
— to the underwriters, as partial consideration for the rights offering November 23, 1973 at a price of \$2.25 a share	75,000
	<u>135,000</u>

Note 5 Subsequent Event

Subsequent to May 31, 1969 the company sold its shares of Mareeba Mining & Exploration Pty. Limited for approximately \$88,000.

